



TESTIMONY
of the
CONNECTICUT CONFERENCE OF MUNICIPALITIES
to the
EDUCATION COMMITTEE

March 16, 2009

CCM is Connecticut's statewide association of towns and cities and the voice of local governments - your partners in governing Connecticut. Our members represent over 93% of Connecticut's population. We appreciate this opportunity to provide testimony to you on issues of concern to towns and cities.

Raised Bill 6656 *"An Act Concerning Special Education"*

This bill, as currently written would make significant changes to the reimbursement formula to towns and cities for costs associated with Special Education services provided to students.

It would establish a three-tiered reimbursement formula beginning in FY09-11 that would ratchet down state reimbursement levels over the following seven fiscal years to a constant formula in FY18. The following chart illustrates the levels of special education costs that local governments will be responsible for under this proposal:

Local Costs	FY09 – FY11	FY12 – FY13	FY14 – FY15	FY16 – FY17	FY18 and later
up to 1.5x	100%	100%	100%	100%	100%
1.5x – 3x	30%	40%	50%	60%	70%
3x – 4.5x	60%	65%	70%	75%	80%
4.5x and greater	90%	90%	90%	90%	90%

While the bill as drafted would provide some reimbursement to local governments for those costs incurred under 4.5 times the average per pupil costs, for which 0% is reimbursed currently, it would also leave municipalities shouldering the greatest burden of those costs in excess of 4.5 times the per pupil costs with the highest local share. This could be a significant impact if a school district were to have just one student with very special needs and high or "excess" costs.

It is our understanding that there was a drafting error when this bill was written - rather that the intent was to establish a tiered formula where the percentages listed above would actually be the levels that the State would reimburse to municipalities.

The primary policy goal should be that of total State assumption of special education costs, perhaps providing all such services regionally. CCM looks forward to working with the committee towards this shared goal.

BACKGROUND

Special education is the single largest cost accelerant of education spending in Connecticut. It is estimated that special education costs grow 5%-6% per year, 1%-2% faster than most other education costs. How, and at what level, the State reimburses municipalities for these mandated costs is one of the hottest state-local issues.

With special education expenditures now topping the \$1.5 billion mark, the local share at around 56% will soon reach \$1 billion. Special education spending accounts for 14% of all education spending in Connecticut and costs keep growing faster than other school spending (5%-6% vs. 3%-4%). Complicating matters, unforeseen demands for the most expensive special education services too often result in local mid-year budget shuffling, supplementary appropriations, and other extraordinary measures. This is particularly true in smaller towns where the arrival of a single new high-cost special education student during the school year can create a budget crisis – even with this new proposal where the town would be responsible for 90% of all costs in excess of 4.5 times their average per pupil costs – and, as these costs increase over time municipalities will be paying more of more.

- ❖ *Total cost of special education statewide for the 2006-07 school year, was nearly \$1.5 billion, of which over 60% was local, 31% state and less than 9% federal.*

CONTROLLING LOCAL COSTS

Debate still continues over the decision to fold most state special education funding into the ECS grant thirteen years ago, but that is not the real problem.

There is a strong argument that the State should reimburse every town for 100% of special education costs (less federal reimbursement). Under this scenario the State would also handle identification of special education students and related administrative costs. Such a step would (a) provide equal special education services in all municipalities, and (b) provide significant property tax relief. A special education student should be the responsibility of all of Connecticut, not just the community of residence.

CCM's 2009 State Legislative Priorities urges the State to identify a state revenue source where future growth will allow the State to phase-in state assumption of the fiscal and administrative responsibilities for special education.

Short of a state assumption of special education, there are other ways that have been identified through which the local overburden for the cost of special education can be alleviated within the present construct of state and federal aid.

- The ECS grant covers the basic education costs for all students—regular and special education alike—up to the foundation level of \$9,687. Funding ECS fully and providing for foundation growth over time will increase the state share of base level costs for all students including those receiving special programs. At the time special education and ECS funding were merged, special education was about 19% of the combined grant, and that is the figure the SDE generally uses to estimate the current portion of ECS that is for special education (just under \$360 million in 2008-09).
- The state Excess Cost Grant (Student Based) provides a circuit breaker once the expenditures for a student exceed a certain level—currently 4.5 times the per pupil spending average of the district. The state grant pays for all costs in excess of that figure. The threshold varies from town to town because of spending differences, and for most towns, falls somewhere between \$40,000 and \$70,000.

Proposals to reduce the threshold factor from 4.5 to a lower level would allow the state grant to pick up more of these high costs, relieving some of the local burden. Also the reliance on individual town per pupil spending to set the thresholds results in a wide disparity in the amount of out-of-pocket costs for towns. Higher spending towns end up with the highest contribution rates before state aid is triggered. A single threshold per pupil dollar amount, perhaps equivalent to the foundation level for all towns set at the low end of the range would address this and increase the state share of these costs.

- Lastly, and most often overlooked, is the failure of the federal government to fund its fair share of special education costs. Despite significant increases in federal special education funding around the beginning of the decade, the federal share in Connecticut lingers at about 9%, compared to 31% state and 60% local. This falls far short of the original commitment that came with the federal mandate to provide such services.

CONCLUSION

Unless a solution is found at the state level, funding for the escalating costs of special education will continue to fall on property taxpayers.

CCM is well aware of the limitation of the state budget this fiscal year, but we believe it is possible to identify a funding source (for example, the state sales tax) whose future growth can be dedicated to a greater state share of special education. That should enable the State to serve both (1) the goal of this bill, to provide reimbursement for excess costs currently borne by municipalities, and (2) a move towards greater state assumption of these costs in the future.

We look forward to working with you toward this end.

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